

$$\textcircled{d} \ 204.25 - 70.32 = \$133.93$$

**CALCULATING FINANCE CHARGES:
AVERAGE DAILY BALANCE METHOD**

1. What were the 2 methods we have learned so far to calculate Finance Charges?

① Previous Bal. method

② Unpaid Bal. method

2. How did we actually calculate the finance charge for each of these methods?

name \times rate

1. New Method is called:

③ Average Daily Bal. method

2. How do we calculate the finance charge for this method?

Finance charge = (avg. daily bal) x rate

3. How do we calculate the Average Daily balance?

Use chart

4. What do we not include in our calculation of the average daily balance?

no new purchases

Average Daily Balance=

↓ owe

Dates	Balance		Total Days		Multiplication
1/1 — 1/9	95.67	x	9	=	861.03
1/10 — 1/21	35.67	x	12	=	428.04
1/22 — 1/28	10.67	x	7	=	74.69
1/29 — 1/31	0	x	3	=	0
		x		=	
		x		=	
		x		=	
		x		=	
		x		=	

TOTAL: 31 \$1363.76

$$\text{Average Daily Bal} = \frac{1363.76}{31} = \$43.99$$

$$\text{Finance Change} = 43.99 \times 0.055 = \$2.42$$



Average Daily Balance=

31 days in May

Dates	Balance		Total Days		Multiplication
5/20 - 5/20	107.45	x	1	=	107.45
5/21 - 6/13	57.45	x	24	=	1378.80
6/14 - 6/19	12.45	x	6	=	74.70
		x		=	
		x		=	
		x		=	
		x		=	
		x		=	
		x		=	

TOTAL: 31 1560.95

$$\text{Avg. Daily Bal} = \frac{1560.95}{31} = \$50.35$$

$$\text{Fin. Charge} = 50.35 \times 0.019 = \text{\$0.96}$$

Average Daily Balance=

Dates	Balance		Total Days		Multiplication
		X		=	
		X		=	
		X		=	
		X		=	
		X		=	
		X		=	
		X		=	
		X		=	
		X		=	

TOTAL: